Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

COMMENTS
OF
SPRINT NEXTEL CORPORATION

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Sprint Nextel Corporation ("Sprint"), pursuant to the Notice of Inquiry ("NOI") and Notice of Proposed Rulemaking ("NPRM") released April 21, 2010 (FCC 10-58), hereby respectfully submits its comments in the above-captioned proceedings.

I. INTRODUCTION AND SUMMARY

The Commission seeks to re-purpose the high-cost Universal Service Fund ("USF") into a new broadband support fund. The instant NOI/NPRM properly acknowledges several critical elements necessary for such a transformation: reducing the bloated legacy high-cost USF; basing any new broadband support mechanism on forward-looking, incremental economic costs and including incremental revenues the supported broadband network generates; and ensuring that competitive and technological neutrality remains a key principle of universal service policy. Sprint supports those proposals that further these goals, including measures to phase-out legacy high-cost USF to both incumbent local exchange carriers (ILECs) and competitive eligible telecommunications carriers (CETCs), and the use of a forward-looking cost model to adjust support downward and reflect incremental revenues a carrier can derive from its broadband network.

Unfortunately, the NOI/NPRM also reflects certain biases and omissions which, if left unaddressed, will result in an unreasonably discriminatory and unsustainable broadband mechanism. First, the NOI's emphasis on broadband speeds, and its exclusion of any discussion of the benefits of mobility, constitute a distressing and potentially insurmountable bias in favor of wireline broadband solutions. The unilateral emphasis on speed is especially problematic if, contrary to the public interest, the Commission also limits broadband USF support to a single service provider per geographic area.

Second, it is untenable to propose a new broadband USF without also proposing a new contribution basis. It is inappropriate to fund new broadband service subsidies on the basis of telecommunications service revenues (the current contribution basis for legacy universal service funds), and establishment of a broadband subsidy distribution mechanism cannot proceed without corresponding reform on the contribution side of the equation.

Third, any new broadband USF should provide subsidies to the end user customer, rather than to a specific broadband service provider. Sprint believes that this approach will best promote competitive entry and expansion in broadband markets across the Nation, and offers a more targeted and controllable approach to universal service. Sprint recommends that the Commission link any high-cost and low-income broadband mechanisms (for example, by capping the two funds in total so that an increase in one would be offset by a decrease in the other), and rely heavily on a low-income mechanism to achieve universal broadband service.

II. THE COMMISSION SHOULD USE A COST/REVENUE MODEL TO DETERMINE BROADBAND UNIVERSAL SERVICE SUPPORT

The Commission has pointed out (NOI, para. 8) that only $331 million of the $4.3 billion in high-cost support distributed in 2009 was calculated on the basis of forward-looking costs. Because continued use of embedded costs has no relationship with actual funding requirements and will only perpetuate a bloated fund, Sprint supports the proposed use of a new model that estimates broadband support using forward-looking, incremental economic costs and incremental revenues generated from the supported broadband network (NOI, para. 14).[1]

The Commission has long held the view that forward-looking rather than embedded costs should be used to calculate universal service support to maximize efficiency (NOI, para. 23). This view is consistent with its conclusion, in interconnection and unbundled network element proceedings, that pricing based on forward-looking costs "encourage[s] efficient levels of investment and entry" and "simulates the conditions in a competitive marketplace."[2] Accordingly, should the Commission proceed with the

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[1] The Commission is apparently considering making the Broadband Assessment Model (BAM) available for public use and testing later this summer (*see ex parte* letter of AT&T, filed June 16, 2010 in WC Docket No. 10-90, WC Docket No. 05-337 and GN Docket No. 09-51). Sprint may have additional comments on the specific design and inputs of the BAM after it has had an opportunity to study the model itself.

[2] *See, e.g., Local Competition First Report and Order*, 11 FCC Rcd 15499, 15813 (para. 620), 15845-6 (paras. 692 and 679) (1996). Absent a system of bill and keep, forward-looking costs also should form the basis of uniform intercarrier compensation rates generally. *See, e.g., In the Matter of High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Lifeline and Link Up; Universal Service Contribution Methodology; Numbering Resource Optimization; Implementation of the Local Competition Provisions in the Telecommunications At of 1996; Developing a Unified Intercarrier Compensation Regime; Intercarrier Compensation for ISP-Bound Traffic; IP-Enabled Services, Order on Remand and Report and Order and Further Notice of Proposed Rulemaking* released November 5, 2008 (FCC 08-262), Appendix A, para. 243.

creation of a new broadband USF, it should calculate broadband support based on forward-looking, incremental economic costs. The Commission should take advantage of a clean slate here to utilize a methodology that is economically rational and minimizes the contribution burden, rather than an embedded cost methodology that "could lead to inefficient subsidization of carriers and could create disincentives for carriers to operate efficiently" (NOI, para. 23).[3]

The Commission has also asked whether it should consider both revenues and costs in determining Connect America Fund ("CAF") support (NOI, para. 35). Sprint believes that the answer to this question is yes. Broadband networks are used to provide multiple services – voice, data and video – and broadband service providers that extend their networks into new geographic regions with the help of universal service or other subsidies will earn incremental revenues as a result of such network expansion.[4] Indeed, broadband networks already are generating significant revenues; ILECs and cable companies have reported steady and significant increases in average revenue per

[3] While additional evaluation and testing of the Broadband Assessment Model are necessary, it is clear that the HCPM used to calculate legacy high-cost USF should not be used to determine any new broadband USF support. The HCPM is based on obsolete circuit switching technology and costs, and does not reflect wireless and other more efficient technologies.

[4] Indeed, giving USF to carriers for extending their networks without assuming that a reasonable level of such services will be purchased by consumers will reduce the incentive of the subsidized carrier(s) to market those services.

subscriber based in large part on their customers' purchase of bundled service packages (*e.g.*, voice/Internet access/video) and new data and video services.[5]

These revenue streams, as well as any supplemental support flows (such as ARRA or RUS grants and loans) associated with the USF-supported network, reduce the amount of USF needed to deploy a broadband network in an unserved area, and should be factored in some reasonable manner into the equation used to determine federal broadband universal service support. Because forecasts of service subscription rates and broadband pricing trends (particularly in areas that are currently unserved) would seem to be quite speculative at this point, the revenue model should be updated regularly – at least within three years from its adoption, with the Commission to evaluate whether a subsequent triennial review period is warranted.

III. PROPOSALS THAT UNILATERALLY EMPHASIZE SPEED AND THAT LIMIT USF SUPPORT TO ONE CARRIER PER GEOGRAPHIC AREA COULD FORECLOSE OR IMPEDE COMPETITION IN THE SUPPORTED MARKETS AND BEYOND

The National Broadband Plan recommends creation of a CAF to support the provision of affordable broadband and voice service, proposing minimum initial actual download and upload speeds of 4 Mbps and 1 Mbps respectively, increasing to 100 Mbps

[5] For example, based on public financial reports, Sprint has estimated average revenue per subscriber for the following carriers at:

	Q1 2007	**Q4 2009**
Verizon	$ 56.01	$ 76.96
Windstream	$ 77.03	$ 82.31
Cablevision	$116.95	$144.03
Comcast	$ 96.30	$120.66

download and 50 Mbps upload for 100 million households by 2020.[6] CAF subsidies would, in theory, be available to any company or for any technology that can meet the FCC's specifications.[7] However, the plan's unilateral emphasis on aggressive speed levels very likely will render wireless carriers ineligible to draw from the CAF – a competitive obstacle that is heightened by the recommendation that the USF subsidies be limited to a single carrier per geographic area.

While speed is an important aspect of broadband deployment, it is hardly the only factor which should be considered in developing rational universal service policies. As demonstrated by the dramatic increase in "smart" wireless devices,[8] tens of millions of end users need and want *mobile* broadband, in conjunction with or even in place of fixed broadband connections.[9] For users on the move, the benefits of mobility can outweigh the benefits of higher speeds available with many fixed broadband connections. As the enormous popularity of smart phones and mobile broadband modems push mobile

[6] National Broadband Plan, pp. 9, 135. As the National Broadband Plan acknowledges, the initial speed targets are "aggressive" (*id.*, p. 135).

[7] National Broadband Plan, p. 145. Although the National Broadband Plan also recommends adoption of a new Mobility Fund (*id.*, p. 146), that fund is intended to serve a different purpose than does the CAF, and would provide only one-time support (as opposed to the CAF's support for both capital and on-going operating expenses).

[8] *See, e.g., "North American Smart Phone Shipments to exceed 65 million units in 2010,"* <http://www.canalys.com/pr/2010/r2010033.html>. Canalys estimates that 2010 shipments will be 38% higher than 2009 levels.

[9] *See, e.g.,* Aaron Smith, Pew Internet & American Life Project, "Mobile Access 2010," released July 7, 2010 (59% of adults now access the Internet wirelessly using a laptop or cell phone, up from 51% in April 2009), study available at http://www.pewinternet.org/Reports/2010/Mobile-Access-2010.aspx. See also, Chelsea Leposa and Jared Pass, "Can mobile ubiquity help bridge Philly's digital divide?" *Technically Philly*, March 31, 2010, available at http://technicallyphilly.com/2010/03/31/can-mobile-ubiquity-help-bridge-phillys-digital-divide (citing users who rely upon their smartphone rather than fixed broadband

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broadband subscription levels ever closer to (perhaps even above) fixed broadband subscription levels, there is no rational basis for giving fixed broadband priority over mobile broadband in the distribution of any broadband USF.[10]

It is more difficult to engineer a mobile broadband network to achieve the National Broadband Plan's aggressive (and rising) "actual" minimum speeds than is the case for fixed broadband networks. "Actual" mobile broadband speeds can vary for many reasons beyond the carrier's control: the amount of traffic on a tower at any given time, environmental factors (*e.g.,* weather or foliage on trees can affect transmission speeds), whether the user is on the move (and thus is being transferred from cell site to cell site) or remains in one location, and the user's distance from the cell site (the greater the distance, the slower the speed). "Actual" speeds may also vary depending on the type of handset or device used, and the type of activity being conducted (*e.g.*, large versus small file transfers).[11] Thus, making eligibility for broadband universal service support dependant on a single factor -- achieving high "actual" speeds -- discriminates heavily in favor of fixed networks at the expense of mobile broadband networks.

The problematic impact of the National Broadband Plan's unilateral emphasis on speed, to the exclusion of factors such as mobility, is exacerbated by its recommendation that "there should be at most one subsidized provider of broadband per geographic area"

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connections to obtain Internet access because of the cost, flexibility, and portability of mobile broadband devices).

[10] Section 254(c)(1)(B) of the Act requires the Commission, in evaluating what services should be supported by universal service funds, to consider what services "...have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers."

[11] *See* Sprint comments on mobile broadband measurement, Consumer Information and Disclosure, CG Docket No. 09-158, filed July 8, 2010, p. 2.

(NOI, para. 10). While Sprint certainly appreciates the need to keep the size of any new broadband universal service fund at a manageable, sustainable level, the Commission must avoid adopting a support mechanism which forecloses or limits the development of competition, not only in subsidized areas, but also in other areas deemed more competitive (or at least classified as not needing targeted broadband universal service support).

Rather than providing support to only a single broadband provider in a given area (a "winner takes all" approach), the Commission should adopt a USF mechanism which targets support at end user customers, and allow these customers to apply their subsidy towards whatever broadband service platform best suits their needs. Sprint understands that providing broadband support to a single provider was intended to encourage broadband deployment in unserved or underserved areas while keeping costs under control. However, adoption of such a policy could undermine current and potential competition and can have wide-ranging (even if unintended) consequences.

The fact that a geographic area is currently classified as "unserved" or "underserved" (however defined) does not mean that it will always be so. Areas that are today considered rural may be suburban tomorrow and even urban in a few years.[12] Technological advances and regulatory reforms -- in particular, adjusting excessively priced special access facilities critical to the provision of broadband services -- may make it financially feasible to deploy broadband services in areas that formerly were

[12] For example, Tysons Corner, VA (outside Washington, DC) was largely farmland in 1962. It grew dramatically over the next few years, fueled by the opening of Tysons Corner Mall. Today, it is the 12th largest employment center in the US. *See, e.g.*, <www.tysonscorner.com/tysons-corner-history/>.

uneconomic to serve. The aggressive roll-out of broadband in densely populated areas will advance less-populated markets further up service providers' target deployment lists, and could encourage regional carriers to target geographic markets where there is relatively less competition. The availability of tax credits, loans, grants, and other investment incentives targeted at unserved/underserved areas will provide additional impetus to broadband service providers to enter these markets.

Given these factors, the Commission must be extremely judicious in allocating federal broadband universal service subsidies. Distributing broadband USF to a single provider jeopardizes the development of competition and the availability of competitive broadband services at multiple layers: in the geographic area for which the USF subsidy is granted; in other geographic areas also deemed eligible for broadband USF subsidies; and in unsubsidized geographic areas. Providing broadband USF (potentially millions of dollars per service area) to a single carrier could give that carrier a substantial, even insurmountable, competitive advantage, thereby discouraging competitive entry and expansion and denying consumers in those areas the benefits of competition. If a carrier gets "free money" from a broadband USF, its own cash then becomes available for investment in more competitive markets (an artificial advantage over unsubsidized competitors), or to finance artificially lower bids to provide service in other subsidized markets (*e.g.*, in a reverse auction situation).[13] Excessive and possibly premature

[13] The effect of a "winner take all" reverse auction also will extend into the future – in subsequent auctions, the winner of the first auction can afford to bid lower than its rivals, because some significant portion of its cost of providing service has been subsidized with universal service funds for the previous auction term.

subsidies for broadband may have the unintended effect of stifling the very competition that would be the best guarantor of ubiquitous, low cost broadband availability.

The problematic consequences of limiting broadband USF to a single provider can be mitigated by distributing the subsidy to end user broadband customers (rather than to the broadband service provider), or, in a reverse auction scenario, by adopting a "winner gets more" strategy (alternative providers eligible for some support, but a lesser amount than the primary recipient). These alternative approaches better comport with the principle of competitive neutrality, which both the Commission and the Courts have long espoused as a guiding principle of universal service, and which the Commission has firmly reiterated in the National Broadband Plan (p. 145) and in the instant NOI (para. 10). As the Commission stated in adopting competitive neutrality as an "additional principle" under 47 U.S.C. § 254(b)(7):[14]

> Universal service support mechanisms and rules should be competitively neutral. In this context, competitive neutrality means that universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another.
>
> ...[E]xplicit recognition of competitive neutrality in the...distribution of funds and determination of eligibility in universal service support mechanisms is consistent with congressional intent and necessary to promote "a pro-competitive, de-regulatory national policy framework."

The Fifth Circuit Court of Appeals subsequently affirmed the relevance of the competitive and technological neutrality principle, stating that the universal service

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[14] *Federal-State Joint Board on Universal Service First Report and Order*, 12 FCC Rcd 8776, 8801-8802 (paras. 47-48, footnotes omitted) (1997).

program "must treat all market participants equally.... [T]his principle is made necessary not only by the economic realities of competitive markets but also by statute."[15]

In devising a new broadband universal service fund, the Commission must keep the competitive neutrality principle firmly in mind, and should reject proposals which tilt the playing field in favor of a particular class of carriers and which limit support to only a single provider per geographic area.

IV. ELIMINATION OF LEGACY HIGH-COST SUPPORT SHOULD BE ACCOMPLISHED IN A COMPETITIVELY NEUTRAL FASHION

In the instant NPRM, the Commission has requested comment on several proposals to cut legacy high-cost universal service support to both incumbent LECs and competitive ETCs: capping high-cost support to incumbent LECs (para. 51); reducing high-cost USF by shifting rate-of-return carriers to some form of incentive regulation (para. 55); eliminating Interstate Access Support ("IAS") (para. 57); and eliminating high-cost support to CETCs over a five-year period (para. 60). As discussed briefly below, Sprint supports these proposals, and recommends further that legacy high-cost USF be phased out for all ETCs; that the phase-outs be implemented over a consistent time frame; and that any high-cost support distributed in error be reclaimed immediately.

Capping ILEC High-Cost Support - Sprint agrees that legacy high-cost USF to incumbent LECs must be reduced. However, rather than merely capping such support, the Commission should phase out all legacy high-cost support to these carriers. Incumbent LECs received 69.4% of all federal high-cost subsidies in the first quarter of

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[15] *Alenco Communications, Inc. v. FCC*, 201 F.3d 608, 622 (5th Cir. 2000).

2010,[16] and merely capping incumbent LEC high-cost support could leave the majority of existing federal high-cost USF dollars supporting legacy rather than broadband services. Further, given that high-cost support to CETCs is already being eliminated (for Sprint and Verizon Wireless) and is currently capped/may be phased out for other CETCs, simply capping ILEC high-cost support (or phasing it out over a much longer period of time than applies to CETCs) would not be competitively neutral.

Shift from Rate of Return to Incentive Regulation - Price cap regulation for incumbent LECs has been in place for two decades now, and has been credited with stimulating much of the productivity gains achieved by price cap LECs in their provision of regulated access services. It is not unreasonable to expect that similar productivity gains could be achieved by current rate-of-return ILECs, and Sprint thus endorses the proposal to shift these carriers to incentive regulation. The new regulatory regime should include an X factor greater than the rate of inflation, as well as a backstop and a sharing mechanism. These elements will mitigate the risks associated with incentive regulation, while helping to ensure just and reasonable rates. The backstop will protect the relatively small ILECs (most of which have limited experience forecasting their actual costs and may have greater exposure to relatively modest shifts in demand) by allowing them to increase their price cap index values if their actual earnings fall below a prescribed minimum. The productivity factor provides strong incentive to the carrier to implement measures that reduce unit costs, while the sharing mechanism protects access customers in the event

[16] *See* USAC form HC01, < http://www.usac.org/about/governance/fcc-filings/2010/quarter-1.aspx>.

that the incumbent LECs' earnings under incentive regulation reach supra-competitive levels.[17]

Elimination of IAS - Sprint agrees with the proposal to eliminate IAS (NRPM, para. 57). This high-cost USF element, adopted in conjunction with the CALLS plan in 2000,[18] was never intended to be permanent. Although the CALLS plan was scheduled to remain in place for 5 years, the rules adopted in the *CALLS Order* – including availability of IAS – remain in effect today. The $650 million IAS fund was meant to be a transitional support mechanism to cushion the impact of making explicit certain universal service subsidies that were implicit in interstate access charges, implemented in conjunction with increases in subscriber line charges. Price cap carriers that have been receiving IAS have had almost a decade to address any remaining shortfalls, and there is no reason to continue providing this subsidy.

Elimination of IAS should have a salutary impact on competition in the provision of legacy services. Competitive carriers that are not eligible to receive IAS will now be better able to compete with price cap LECs without the distortive effect of this enormous subsidy.

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[17] As special access customers of price cap ILECs have learned the hard way, the lack of a sharing or refund mechanism means that a carrier with market power has the virtually unchecked ability to charge captive customers excessive rates that generate extraordinary (up to triple digit) returns.

[18] *Access Charge Reform*, CC Docket No. 96-262; *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1; *Low Volume Long Distance Users,* CC Docket No. 99-249; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Sixth Report and Order* in CC Docket Nos. 96-262 and 94-1; *Report and Order* in CC Docket No. 99-249; *Eleventh Report and Order* in CC Docket No. 96-45, 15 FCC Rcd 12962, 13047 (para. 201) (2000) ("*CALLS Order*").

Elimination of CETC High-Cost Support - As noted in the NPRM (para. 59), both Sprint and Verizon Wireless are subject to a phase-out of their respective CETC high-cost support as a result of transaction proceedings from 2008. The Commission has asked whether high-cost support to other competitive ETCs should be phased out as well, and if so, how the transition should occur (NPRM, para. 61).

To help ensure competitive parity, high-cost support for all ETCs – both competitive and incumbent carriers -- should be phased out on a consistent time line. Sprint and Verizon Wireless are expected to have completed the phase-out of their respective legacy high-cost USF support by 2013. To balance the need for competitive equity and the desire to quickly fund the new broadband support mechanisms, on the one hand, with the financial concerns of current high-cost USF recipients on the other hand, Sprint recommends that the remaining phase-outs be completed within three years of adoption of an order mandating such phase outs, or by year-end 2014, whichever is later.

Repayment of High-Cost USF Distributed in Error – Besides eliminating out-dated legacy high-cost support, the Commission must also take remedial action relating to implementation of company-specific CETC caps applicable to AT&T and Alltel. Insofar as Sprint is aware, neither of these caps was put into effect due to "administrative reasons,"[19] even though such caps were imposed as a condition of approval of Alltel's

[19] See letter from Richard Belden, USAC, to Julie Veach, FCC, dated August 19, 2009, WC Docket No. 05-337, p. 5, referencing *Applications of ALLTEL Corporation, Transferor, and Atlantis Holdings LLC, Transferee for Consent to Transfer Control of Licenses, Leases and Authorizations*, 22 FCC Rcd 19517, 19521 (para. 9) (2007); *Applications of AT&T Inc. and Dobson Communications Corporation for Consent to Transfer Control of Licenses and Authorizations*, 22 FCC Rcd 20295, 20330 (para. 72) (2007). USAC has stated that if it "were to implement the company specific caps for

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and AT&T's respective transactions then before the Commission. Because AT&T and Alltel continued to receive high-cost disbursements under "business as usual" conditions (*i.e.*, not subject to their respective mandated caps), they should be required to refund all such high-cost funds disbursed in error. AT&T and Alltel should not be allowed to retain their unwarranted windfalls because of an administrative glitch.

V. THE COMMISSION SHOULD NOT ADOPT AN EXPEDITED PROCESS FOR PROVIDING FUNDING

The Commission has sought comment on "the best way to create an accelerated process to distribute funding to support new deployment of broadband-capable networks in unserved areas during the period we are considering final rules to implement fully the new CAF funding mechanism" (NOI, para. 43). Sprint opposes adoption of such an expedited process. Distributing broadband support dollars in the absence of firm rules is an invitation to waste, fraud and abuse. For the protection of both the general public that ultimate funds USF, and for recipients of broadband support dollars, no federal USF dollars should be distributed unless all parties know precisely what obligations attach to the funds (build-out requirements, upload and download speeds, interconnection/access/ roaming obligations (and pricing thereof), reporting requirements, etc.), and until a fair and public process has been devised to allocate broadband dollars. While the Commission's desire to speed deployment of broadband networks in unserved areas is understandable, its resources are better focused on devising and implementing final rules.

Sprint would also note that there are billions of dollars in ARRA funds that have been and remain available, including $7.4 billion through the Broadband Technology

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AT&T and Alltel, significant amounts of funding previously disbursed would be

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Opportunities Program ("BTOP") and Broadband Initiatives Program ("BIP"). These funds and loan guarantees were designed to stimulate broadband investment, including in unserved areas, and projects funded under these programs may well address, to a significant degree, the concerns expressed here by the Commission.

VI. REFORM OF THE CONTRIBUTION METHODOLOGY MUST BE IMPLEMENTED CONCURRENTLY WITH THE CREATION OF ANY BROADBAND USF

The instant NOI/NPRM concentrates on re-purposing the existing high-cost universal service fund to support broadband services. While the Commission has indicated that it will issue a NPRM on USF contributions in the fourth quarter of 2010,[20] Sprint emphasizes that any new broadband USF distribution mechanism can proceed only in lockstep with a new broadband USF contribution mechanism. Broadband service providers that benefit from a federal USF must also contribute in some fair and reasonable way to the funding of this USF.

Much of the power and value of a broadband network lies in the fact that it can support multiple applications – voice, data, and video. As such, it makes no sense to rely upon the existing contribution base – telecommunications service revenues, which today exclude broadband Internet access and other information service revenues – to fund a broadband USF. The Act mandates that universal service contributions be "equitable and nondiscriminatory" (Section 254(b)(4)), and that universal service mechanisms be sufficient (Section 254(b)(5)) and competitively neutral (an "additional principle" under Section 254(b)(7), see pp. 9-11 above). These underlying principles cannot be satisfied if

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recovered from each carrier" (USAC August 19 Letter, p. 5).

[20] *See Proposed 2010 Key Broadband Action Agenda Items,* released April 8, 2010.

voice telecommunications service providers and their customers are saddled with the potentially multi-billion dollar burden of subsidizing broadband network build out and maintenance.

Rather than relying solely upon telecommunications service revenues, a broadband USF should be financed by a much broader base of contributors. Under optimal conditions, a new broadband USF would be funded through general tax dollars since the American public in general benefits from universal broadband. Recognizing that such an approach would require Congressional action and is not within the Commission's authority, however, the Commission should widen the contribution base to the greatest extent possible to include all providers that benefit from universal broadband availability.

VII. CONCLUSION

Sprint supports the Commission's efforts to reduce the bloated legacy high-cost universal service fund, and to determine support for any new broadband fund using a mechanism that incorporates both forward-looking incremental economic costs and incremental revenues generated by supported broadband networks. Sprint also urges that any new broadband universal service policy be consistent with the key principle of competitive and technological neutrality. To that end, the Commission must reject proposals to distribute support solely on the basis of high "actual" speeds (which tends to favor wireline over wireless networks); to limit support to only a single carrier per geographic region (which will impede or even forestall competitive entry and expansion); and to phase out legacy support for competitive carriers on a faster timeline than applies to incumbent LECs. The Commission also should implement reform of the USF contribution methodology concurrently with reform of the USF distribution mechanism, and concentrate its efforts on developing final rules rather than considering an expedited process for providing broadband funding on an interim basis.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Sprint Nextel Corp. was filed electronically or via US Mail on this 12th day of July, 2010 to the parties listed below.

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